



YOUNG INVINCIBLES

A Fight for the Future: Education, Job Training, and the Fiscal Showdown

How The Looming Budget Battle Threatens The American Dream

A REPORT BY YOUNG INVINCIBLES
AND NATIONAL PRIORITIES PROJECT

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**NATIONAL
PRIORITIES
PROJECT**

Bringing the
Federal Budget Home

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ABOUT THE NATIONAL PRIORITIES PROJECT:

National Priorities Project (NPP) is a non-partisan, non-profit organization that makes our complex federal budget transparent and accessible so people can exercise their right and responsibility to influence how their tax dollars are spent. NPP believes the US federal budget will reflect the values and priorities of a majority of Americans when all people have the opportunity and ability to participate in shaping our nation’s budget.

ABOUT YOUNG INVINCIBLES:

Young Invincibles (YI) is a non-partisan, non-profit organization that seeks to amplify the voices of young Americans and expand opportunity for our generation. YI engages in education, policy analysis, and advocacy on the issues that matter most to this demographic, including health care, education, and economic opportunity. We work to ensure that the perspectives of young people are heard wherever decisions about our collective future are being made.

All dollar amounts throughout text and figures are expressed in constant 2010 dollars.

EXECUTIVE SUMMARY

During the twentieth century, the United States raised living standards by creating the best-educated workforce in the world. The nation's success rested on local, state and federal investment in high quality, universal primary and secondary schooling, coupled with affordable higher education.¹ But public investment is now on the decline. Over the last decade, funding for education fell as a share of total public spending. Meanwhile, rising tuition pushes college out of reach for millions of young people. Education is fundamentally connected to jobs, which is currently the top priority for most Americans. Yet, the federal government has also cut major training programs for disadvantaged youth at the same time that the Great Recession wiped out an estimated 2.7 million jobs held by young adults.² Together these factors have created a perfect storm of reduced opportunity for America's young people.

Young Invincibles and National Priorities Project compared major federal investments in young adults to the economic challenges facing the next generation. Researchers have analyzed investments in children under age 18,³ but very few have studied programs targeted at young adults. We focus on education and training because, more than any other category, they shape individual economic opportunity and our country's future economic competitiveness.⁴ Our findings are disturbing:

- The federal government currently spends more annually on the war in Afghanistan than on education. As states made deep cuts to education funding in recent years, federal education funding barely held steady, and the nation's young adults fell from 1st to 12th globally in educational attainment.⁵
- The federal government cut \$1 billion from job training for disadvantaged youth over the past decade. Currently, underfunded training programs reach fewer than 5 percent of the 6.7 million disconnected youth — those not connected to work or school and most in need of help.⁶
- Reduced investment in job training for young adults affects young people of color disproportionately, as they are more likely to be eligible for assistance. While the unemployment rate for Americans ages 16 to 24 is 16 percent — more than twice the national average — the unemployment rate is 17 percent for Latino youth and 26.7 percent for African American youth.
- Looming automatic budget cuts, known as “sequestration,” will cost thousands of youth jobs in 2013. AmeriCorps, which has already sustained cuts in recent years, creates 80,000 youth jobs a year — though in 2011 it received a record 582,000 applications. Cuts from sequestration could pull nearly \$40 million dollars from the program in 2013, in addition to reducing funding for nearly every other education and training program.

These facts make it clear: further cuts to youth services would be disastrous for young adults and hinder economic growth. Though we face fiscal challenges, cutting investment in our nation's future will not bring this country prosperity. In fact, we already invest far too little in higher education, training, and job experience for the next generation. It is no surprise that nearly half of young adults fear that they will end up less well off than their parents.⁷ Investment in young people should be expanded, while continued *disinvestment* will push the American Dream further from reach.

INTRODUCTION

As the global economy increasingly values skilled work, a high school diploma no longer guarantees economic security.⁸ Keeping the American Dream alive for the next generation therefore demands dramatically increasing the number of young people who reach a post-secondary credential. Doing so requires robust education funding and increased opportunities for millions of disconnected youth who are neither in school nor working.

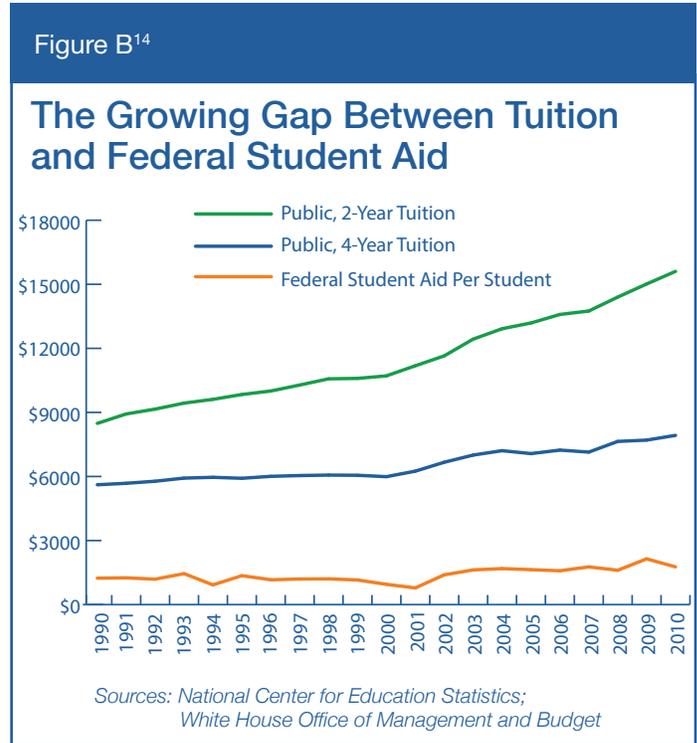
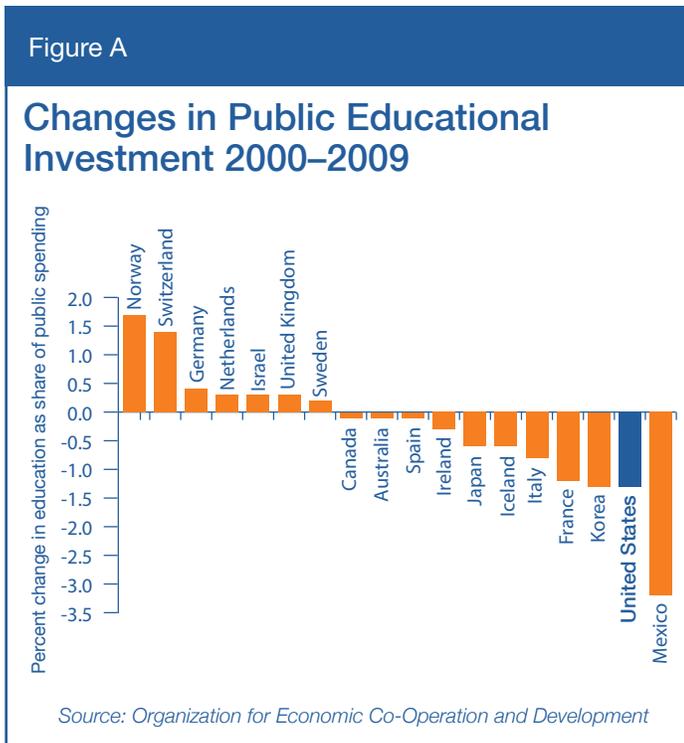
However, the US is failing to rise to the challenge of this new economy. In this report, Young Invincibles and National Priorities Project analyze three key investments related to economic opportunity: 1) education; 2) training and employment services; and 3) national service. In each area, the federal government's current investments already fall far short of where they need to be. In many cases we have instead cut funding for education, training, or work experience, when we need to move in the opposite direction. Many argue that we must reduce the deficit now to ensure a brighter economic future. But doing so through reckless cuts to education and training programs will threaten the American Dream.

CUTTING EDUCATION: PULLING THE PLUG ON PROGRESS

As the global economy demands increasing levels of skill, education has fallen as a share of total public spending in the United States (Figure A). In contrast, many of our international peers have expanded their investment (Figure A). Once the workforce with the greatest proportion of post-secondary degrees in the world, the US has since fallen to 12th in educational attainment.⁹ In 1995 the US graduated the second highest proportion of its college enrollees, but has since fallen to 13th in that regard.¹⁰ America is now on pace to produce 3 million fewer postsecondary graduates than employers demand by the end of the decade.¹¹ In an age where the best jobs go to the best-educated workers, the next generation of Americans is starting the economic race behind international competitors.

Higher Education

Despite the uphill climb ahead, lawmakers across the country continue to create more barriers to opportunity. States have cut higher education funding dramatically, fueling tuition spikes at community colleges and universities.¹² Federal student aid has failed to make up the difference (Figure B), forcing students to bear an increasing financial burden. The maximum federal Pell grant once covered three-quarters of tuition at the average four-year



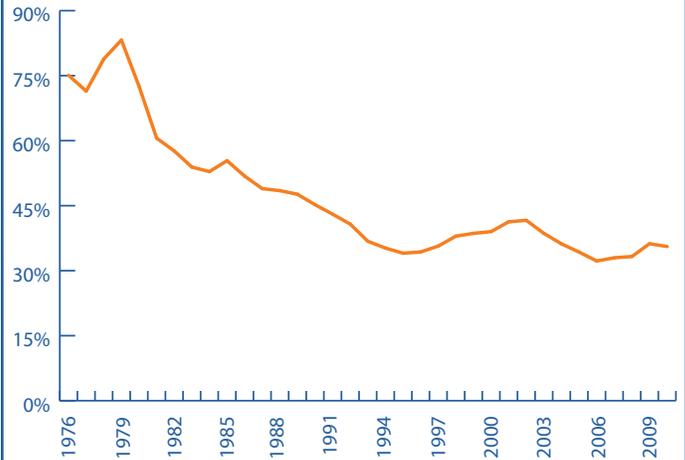
public school; today it covers less than a third (Figure C). Student loans have ballooned to fill the widening gap between tuition and available aid. Americans now owe over \$1 trillion in student debt,¹³ leaving millions of people struggling to repay loans for much of their adult lives.

STEM education funding totaled \$3.4 billion in 2010, which is about 12 days of Bush tax cuts for the top 5 percent of Americans.

Even as education funding falls short, Congress is considering further cuts that would affect nearly every federal education program. According to the White House Office of Management and Budget, domestic discretionary programs would face an estimated 8.2 percent drop in funding if the automatic spending cuts known as sequestration are allowed to take effect.¹⁵ Though Pell grants would be exempt in the first year of sequestration, other aid for needy students would not, including Federal Work Study and Federal Supplemental Educational Opportunity Grants. TRIO, a successful grant program that helps low-income, first generation applicants and disabled students access and complete college, could lose \$66 million, eliminating

Figure C

Maximum Pell Grant as a Share of College Tuition



Sources: National Center for Education Statistics; FinAid

services to as many as 61,000 participants.¹⁶ Moreover, limited resources could hinder key functions like federal loan servicing or origination, delaying aid delivery when students make decisions about college.¹⁷ And without action by Congress, all federal financial aid including Pell grants will face cuts after 2013. Sequestration will place yet another barrier between young Americans and a quality education.

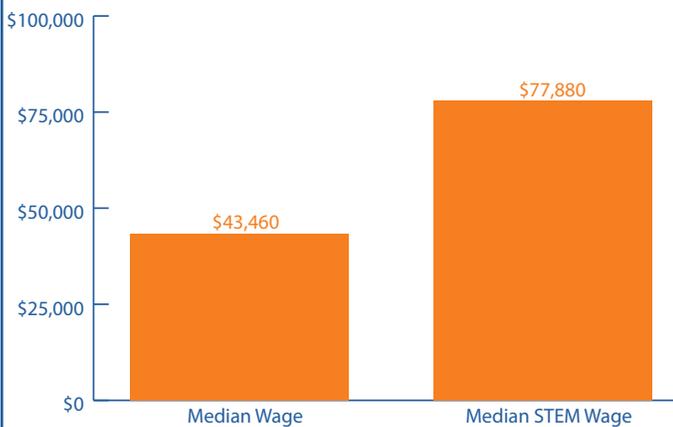
Given the scale of the challenges before us, it would be deeply counterproductive to cut education funding and make it that much harder for young Americans to achieve economic prosperity.

STEM Education

The fields of Science, Technology, Engineering, and Mathematics (STEM) are among the highest-paying and fastest-growing sectors in the US and global economies. Yet here, too, America has fallen behind. American students underperform their counterparts in Canada and China — among other nations — in math and science,¹⁸ and too few young Americans finish college with marketable skills in these fields. Demand for STEM workers in the United States outstrips supply,¹⁹ driving up wages in STEM fields to more than 50 percent greater than the median wage overall (Figure D).

Figure D

Median Wages vs. Median STEM Wages



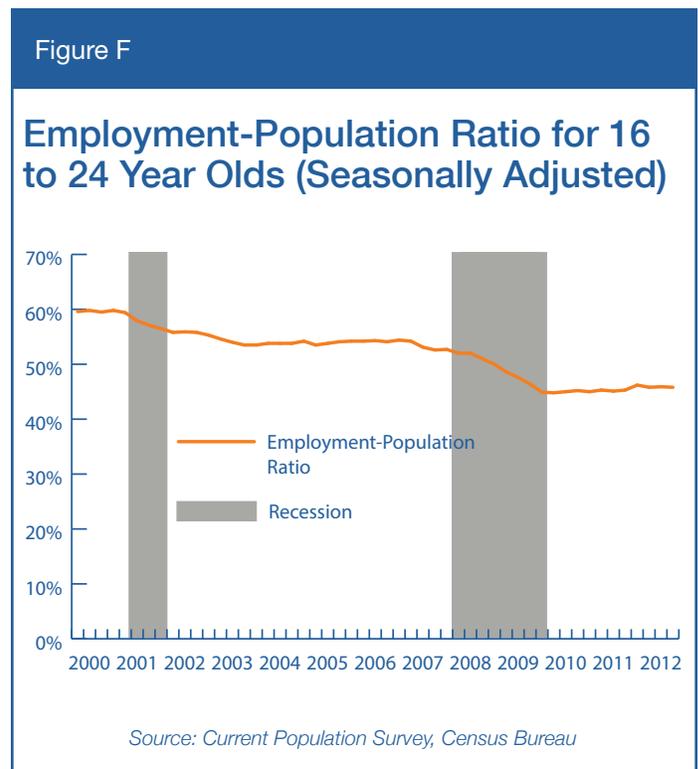
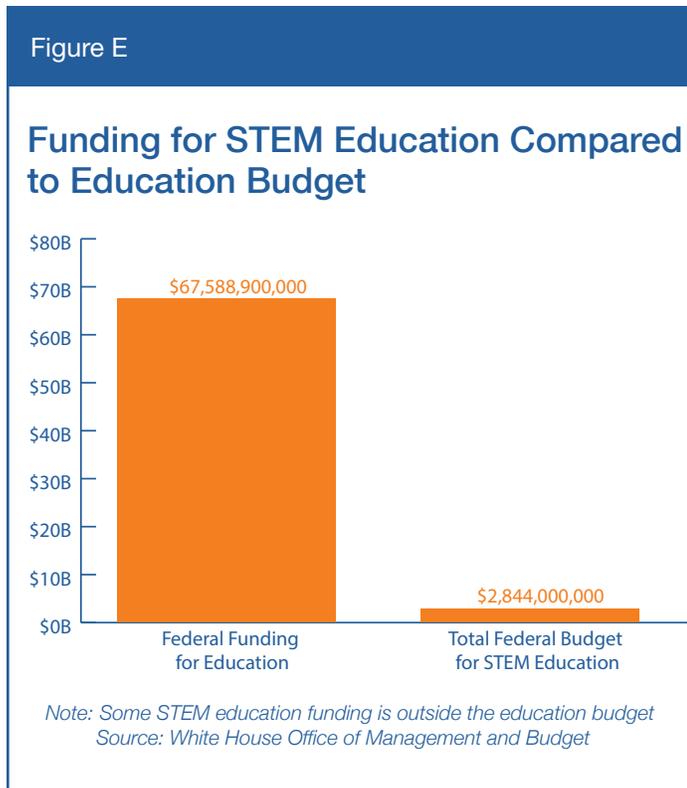
Source: Bureau of Labor Statistics

Federal investment in STEM education totaled \$2.84 billion in Fiscal Year (FY) 2012.²⁰ Total STEM funding looks feeble compared to total educational spending; we underinvest in these fields even as they offer some of the greatest opportunity for young people to earn a healthy salary and contribute to the 21st-century economy (Figure E). Moreover, looming budget cuts threaten to shave more than \$200 million from STEM programs in 2013. Such a reduction would set back young people already struggling to acquire skills in these important fields and would further reduce our international economic competitiveness.

IGNORING YOUTH UNEMPLOYMENT

The challenges facing this generation extend beyond education. The Great Recession hit young Americans hard over the past five years, leaving 16 to 24-year-olds with an unemployment rate of 16 percent — more than twice the national average.²¹ The unemployment rate jumps to 17 percent for Latino youth and 26.7 percent for African American youth.²² And the problem is worse than these unemployment rates would suggest. The federal government counts people as unemployed only if they have recently looked for work, leaving out millions driven from the labor force by persistent lack of opportunity. The proportion of all young adults ages 16 to 24 with any type of job fell during the decade leading up to the Great Recession, when the employment rate plummeted to the lowest levels on record.²³ Even now, less than half of this population is working (Figure F).²⁴ These statistics are especially alarming, given that high youth unemployment leads to lower wages for years to come.²⁵

Rampant youth joblessness contributes to a trend of “disconnected youth” — young people who are neither working nor in school. Disconnection from productive activity has deleterious consequences for a young person’s future. When young people miss out on skills and work experience, it contributes to lower incomes, worse health outcomes,

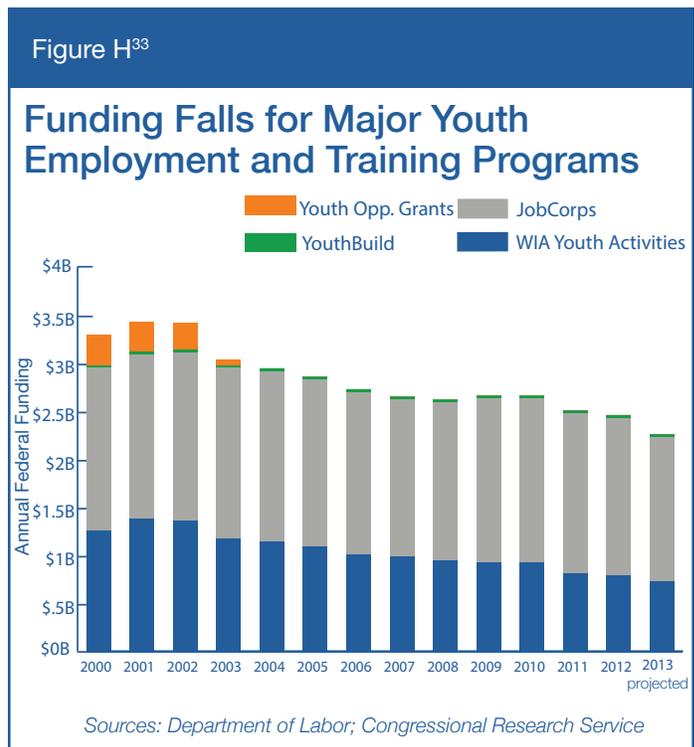


and higher poverty and crime rates.²⁶ Over 6.7 million young people across the country are currently disconnected²⁷ — a fact that is likely to have significant consequences for our economic future. Over their lifetime, these disconnected youth will cost taxpayers \$1.6 trillion in public expenditures in criminal justice, health care, and safety-net assistance.²⁸

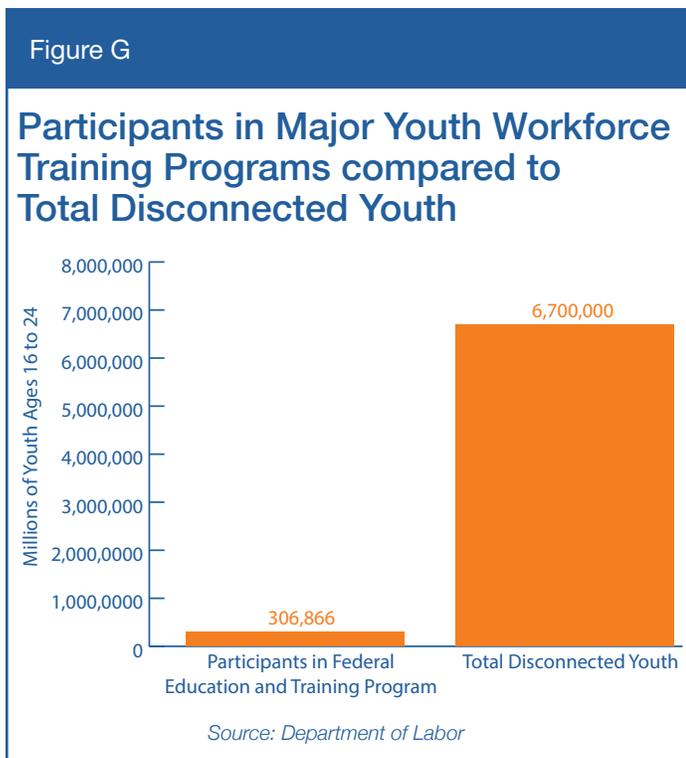
Over 6.7 million young people across the country are currently disconnected²⁷ — a fact that is likely to have significant consequences for our economic future.

Yet, we invest little in getting this generation back to work. The major employment and training programs targeted at disadvantaged youth serve less than 5 percent of the disconnected population (Figure G).

Workforce Investment Act (WIA) Youth Activities, JobCorps, and YouthBuild are the three major federal initiatives to help disadvantaged youth develop skills and pursue an education. In 2011, WIA Youth Activities-funded programs increased average earnings of participants who found jobs



by an annualized \$4,031, as compared to their earnings before they entered the program.²⁹ Almost three-quarters of JobCorps participants obtain full-time employment or go on to further education,³⁰ and YouthBuild returns up to \$43.90 in social benefits per dollar invested for youth involved with the juvenile justice system.³¹



Programs to help disconnected youth develop workplace skills cost \$2.4 billion in 2012. We spend more than that annually on tax breaks for oil and gas companies.

Despite the obvious benefits youth jobs programs have for disconnected youth and for the American economy, and even as employment rates have fallen for young people, the federal government has reduced investment in disadvantaged youth. Adjusted for inflation, core funding has fallen by \$1 billion over the past decade (Figure H), from \$3.46 billion in FY 2002 to \$2.5 billion in FY 2012. Youth Activities suffered a 43 percent funding drop during that time, while the Youth Opportunity Grants program was

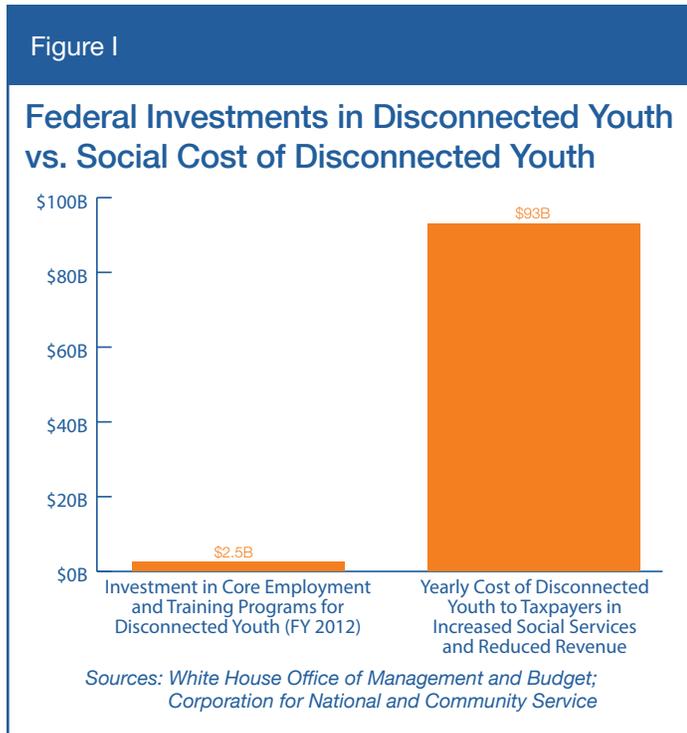
eliminated entirely after 2003 (Figure H). As these programs are cut, disconnected youth see fewer and fewer opportunities to get back on track. In 2011, disconnected youth cost taxpayers \$93 billion in lost revenues or increased social services, or 3,000 percent more than the major education and training programs to help disadvantaged youth contribute productively to society (Figure I).³²

NATIONAL SERVICE: A MISSED OPPORTUNITY

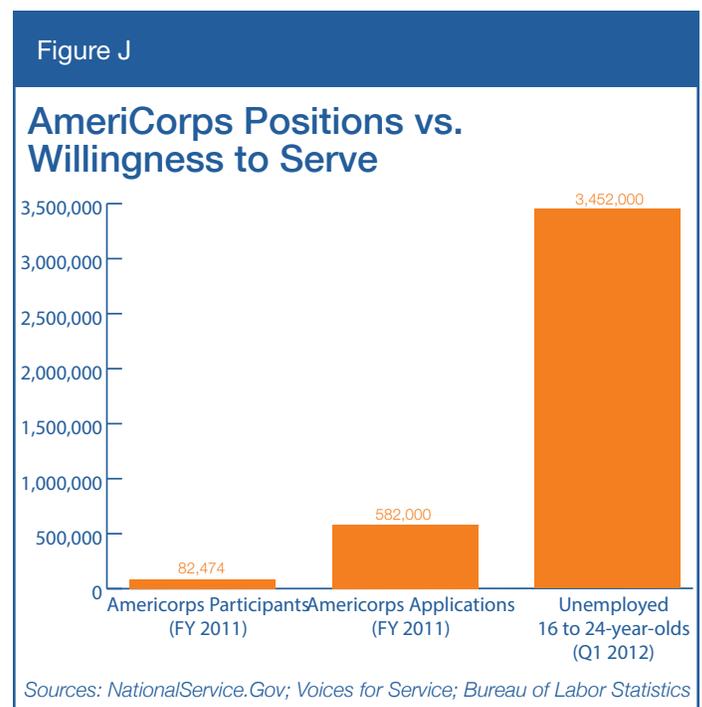
AmeriCorps is the national service program that offers young adults an opportunity to serve communities across the country and gain valuable job skills in the process. An expansion of this program represents a low-cost option to bolster youth employment, as AmeriCorps alumni enjoy better job prospects and higher wages than their peers who have not participated in the program.³⁵ At the same time, communities benefit from AmeriCorps participants' serving in public schools, tutoring disadvantaged children, and contributing to natural disaster preparedness and response.

In 2012 the AmeriCorps VISTA program cost \$453 million. In the same year the US Government spent more on direct subsidies to growers of feed grain for livestock.

Unfortunately, Congress cut AmeriCorps funding by 6 percent between FY 2010 and FY 2012.³⁶ In 2011, there were a record 582,000 applications for AmeriCorps positions, but only 80,000 positions (Figure J), due to lack of funding. Sequestration now threatens to reduce AmeriCorps by an estimated \$38 million dollars in 2013,³⁷ a cut of more than 8 percent as compared to FY 2012 funding.



Even as funding for these programs has fallen over a decade, if sequestration takes effect, Youth Activities, YouthBuild, and Job Corps will see an estimated additional \$196 million in cuts in 2013.³⁴ Continued disinvestment in this crucial area increases the number of youth with limited options — stunting their economic prospects for the years ahead — while simultaneously placing a *greater* burden on American taxpayers.

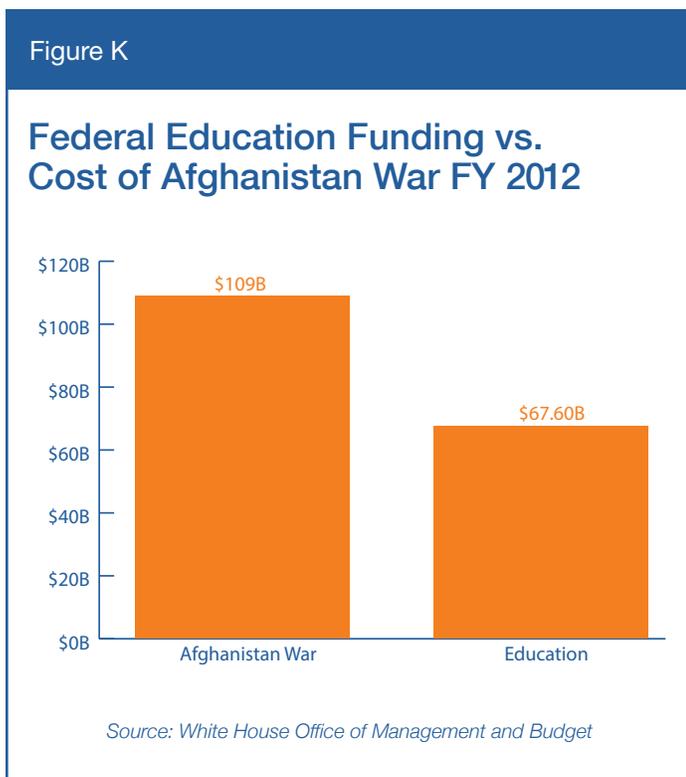


CONCLUSION: IT'S ABOUT PRIORITIES

Misguided lawmakers often cite deficit reduction as a benefit to the next generation, noting that less borrowing will reduce future debt service. However, as this report shows, they ignore the fact that cuts to training and education can hamper a generation's economic opportunity for years to come. While long-term deficits ultimately must decline to a stable share of the US economy, it would be a profound disservice to young people — and to all Americans — to cut education and training programs and undermine the next generation's prosperity.

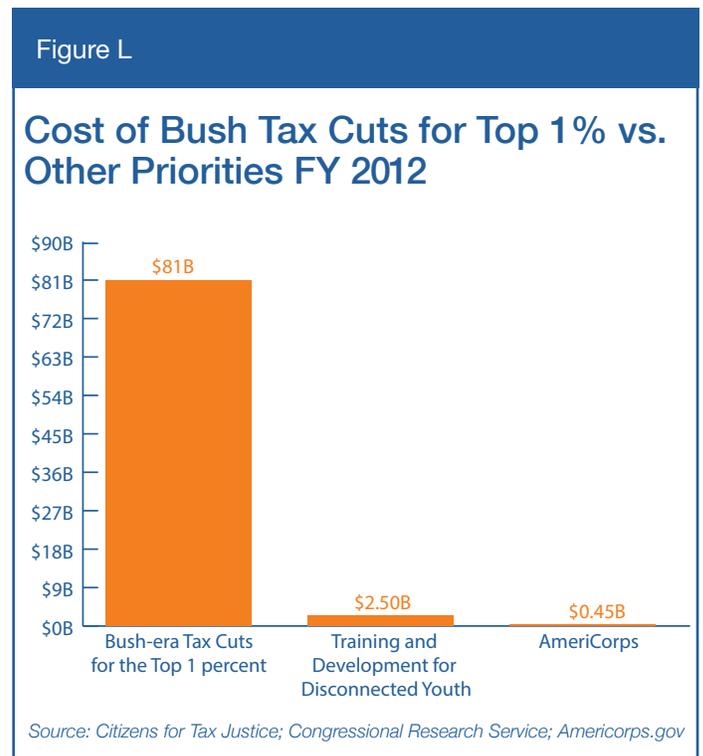
and these negotiations represent great opportunity for policymakers to do the right thing. For example, the two-year extension of the Bush-era tax cuts — which expires on December 31, 2012 — prioritized deep tax breaks over expanded investment in young Americans. Upcoming negotiations are a chance to realign spending and tax policies with investment in the young people who are this nation's future.

The resources are within reach to invest in this nation's young people; it's a matter of priorities.



Moreover, it is wrong to assume that we cannot reallocate resources from existing spending and tax policies. The resources are within reach to invest in this nation's young people; it is a matter of priorities. The federal government spends more on war than on education, more on tax breaks for oil and gas companies than on programs for disconnected youth, and more on subsidies for livestock feed than on employment for young people in AmeriCorps. In the coming weeks, lawmakers will face comprehensive budget negotiations over sequestration and a host of tax policies,

Policymakers in Washington can meet the nation's fiscal challenges and make the necessary investments to keep the American Dream alive for young Americans. Our generation is ready to go to school, learn new skills, and serve the country. It is time for our leaders to do their part.



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